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FAMILY ADVOCACY AND NEIGHBORHOOD SERVICES, INC.

FINANCIAL AND COMPLIANCE AUDIT

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2001

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/16/02

~~ISA RS 24:610 provides that this report shall be available for inspection at a period of not less than one year from the date of receipt~~
~~Parish Clerk of Court~~
~~Legislative Auditor~~

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Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Family Advocacy and Neighborhood Services, Inc.

We have audited the accompanying statement of financial position of **Family Advocacy and Neighborhood Services, Inc. (FANS)** (a not-for-profit corporation) as of June 30, 2001, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of FANS' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Family Advocacy and Neighborhood Services, Inc.** as of June 30, 2001, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
Family Advocacy and Neighborhood Services, Inc.
Page 2

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2001 on our consideration of FANS' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of FANS taken as a whole. The accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

December 7, 2001

 *Bruno & Tervalon LLP*
Certified Public Accountants

FAMILY ADVOCACY AND NEIGHBORHOOD SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2001

ASSETS

Cash	\$ 96,480
Grants receivable	21,446
Equipment, furniture and vehicles, net (NOTES 2 and 3)	<u>41,170</u>
Total assets	<u>\$159,096</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued liabilities	\$ 27,186
Note payable (NOTE 3)	20,000
Deferred revenue (NOTE 1)	<u>112,190</u>
Total liabilities	<u>159,376</u>
Net assets:	
Unrestricted (NOTE 1)	(20,280)
Temporarily restricted (NOTES 1 AND 7)	<u>20,000</u>
Total net assets	<u>(280)</u>
Total liabilities and net assets	<u>\$159,096</u>

The accompanying notes are an integral part of these financial statements.

FAMILY ADVOCACY AND NEIGHBORHOOD SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2001

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Support:			
Grants-Federal-passed through the State of Louisiana	\$ 76,971	\$ -0-	\$ 76,971
Grants-State of Louisiana	417,614	-0-	417,614
Grants-Other	2,750	20,000	22,750
Contributions	<u>1,049</u>	<u>-0-</u>	<u>1,049</u>
Total support	<u>498,384</u>	<u>20,000</u>	<u>518,384</u>
Revenue:			
Other income	6,866	-0-	6,866
Interest income	<u>912</u>	<u>-0-</u>	<u>912</u>
Total revenue	<u>7,778</u>	<u>-0-</u>	<u>7,778</u>
Total support and revenue	<u>506,162</u>	<u>20,000</u>	<u>526,162</u>
<u>EXPENSES</u>			
Program services:			
Community service	417,617	-0-	417,617
Safe and drug-free schools	61,971	-0-	61,971
Tutorial and training	<u>15,000</u>	<u>-0-</u>	<u>15,000</u>
Total program services	<u>494,588</u>	<u>-0-</u>	<u>494,588</u>
Support services:			
Management and general	<u>44,156</u>	<u>-0-</u>	<u>44,156</u>
Total support services	<u>44,156</u>	<u>-0-</u>	<u>44,156</u>
Total expenses	<u>538,744</u>	<u>-0-</u>	<u>538,744</u>
Change in net assets	(32,582)	20,000	(12,582)
Net assets, beginning of year	<u>12,302</u>	<u>-0-</u>	<u>12,302</u>
Net assets, end of year	<u>\$(20,280)</u>	<u>\$20,000</u>	<u>\$(280)</u>

The accompanying notes are an integral part of these financial statements.

FAMILY ADVOCACY AND NEIGHBORHOOD SERVICES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001

OPERATING ACTIVITIES

Change in net assets	\$ (12,582)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	7,276
Change in operating assets and liabilities:	
Grants receivable	(9,759)
Accounts payable and accrued liabilities	7,825
Deferred revenue	<u>(16,199)</u>
Net cash used in operating activities	<u>(23,439)</u>

INVESTING ACTIVITIES

Purchase of equipment	<u>(28,503)</u>
Net cash used in investing activities	<u>(28,503)</u>

FINANCING ACTIVITIES

Proceeds from note payable	77,353
Principal payments on notes payable	<u>(59,078)</u>
Net cash provided by financing activities	<u>18,275</u>
Net decrease in cash	(33,667)
Cash at beginning of year	<u>130,147</u>
Cash at end of year	\$ <u>96,480</u>
Supplemental Disclosure for Cash Flow Purposes:	
Interest paid	\$ <u>1,377</u>

The accompanying notes are an integral part of these financial statements.

FAMILY ADVOCACY AND NEIGHBORHOOD SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies:

General

Family Advocacy and Neighborhood Services, Inc. (FANS) is a nonprofit community service organization designed to service the economic, social and cultural needs of the underprivileged and disadvantaged, including but not limited to at-risk youth, teenage mothers, single parent female head-of-households and isolated senior citizens.

FANS offers programs that provide an array of consulting, teaching, and advising services to help families work together to enhance a student's learning and academic achievements. Cultural enrichment activities such as concerts, dances, and theme festivals are also offered to the community.

The objectives of **FANS** are to provide:

- o Individual and/or family counseling for juveniles demonstrating adjustment or behavioral problems in the traditional classroom environment;
- o Individual and/or group parenting skills, financial management planning programs, and/or self esteem and confidence building programs for single female parents and teenage mothers;
- o Cultural enrichment programs for economically disadvantaged and gifted youth;
- o Medication and nutrition counseling services for senior citizens and assistance with elderly compliance as it applies to Medicare;
- o Coordination with after school church-based tutorial programs; and

FAMILY ADVOCACY AND NEIGHBORHOOD SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies,
Continued:

- o Facilitate and promote information dissemination and communication regarding the availability of necessary social services on a federal, state, and/or local level.

Principles of Accounting

FANS financial statements are prepared on the accrual basis and in accordance with generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Equipment, Furniture and Vehicles

Equipment, furniture and vehicles of FANS are recorded as assets and are stated at historical costs if purchased or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Equipment and furniture	3-5 years
Vehicles	5 years

FAMILY ADVOCACY AND NEIGHBORHOOD SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies,
Continued:

Revenue Recognition

Revenue from governmental grants and certain other contributions are recognized when allowable expenditures are made by FANS. Funds received for specific purposes but not yet expended are recorded as deferred revenue. At June 30, 2001, deferred revenue consist primarily of funds received but not yet expended associated with the Louisiana Stadium and Exposition District grant.

Cash

Cash consists of the interest bearing and non-interest bearing checking accounts.

Income Taxes

FANS is exempt from federal income taxes through Section (501)(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

Fair Value of Financial Instruments

FANS considers the carrying amounts of its cash and note payable to be fair value.

Financial Statement Presentation

In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations", FANS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable.

FAMILY ADVOCACY AND NEIGHBORHOOD SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies,
Continued:

Contributions

In accordance with Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made", contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

NOTE 2 - Equipment, Furniture and Vehicles:

Equipment, furniture and vehicles at June 30, 2001 are summarized as follows:

Equipment and furniture	\$ 39,237
Vehicles	<u>42,503</u>
	81,740
Accumulated depreciation	<u>(40,570)</u>
Equipment, furniture and vehicles, (net)	<u>\$ 41,170</u>

NOTE 3 - Note Payable:

The following is a summary of the note payable at June 30, 2001:

Note payable to a bank, secured by vehicle with an interest rate of 11% paid at maturity on September 19, 2001	<u>\$ 20,000</u>
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FAMILY ADVOCACY AND NEIGHBORHOOD SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - Description of Leasing Arrangements:

The facilities presently used by FANS are leased under a short-term arrangement. Total rent expense for the year ended June 30, 2001 was \$6,000.

NOTE 5 - Contingency:

FANS is a recipient of grants from the State of Louisiana and other funding sources. The grants are governed by various State guidelines, regulations, and contractual agreements.

The administration of the program and activities funded by these grants are under the control and administration of FANS and are subject to audit and/or review by the applicable funding source. Any grant found to be not properly spent in accordance with the terms, conditions, and regulations of the funding sources may be subject to recapture.

NOTE 6 - Concentration of Credit Risk:

FANS receives primarily all of its revenues from the State of Louisiana. If the amount of revenues received from the State fall below critical levels, FANS' operating results could be adversely affected.

NOTE 7 - Restricted on Net Assets:

Temporarily restricted net assets are available for the following purposes:

Community Opportunity Prosperity Empowerment Program	<u>\$20,000</u>
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FAMILY ADVOCACY AND NEIGHBORHOOD SERVICES, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2001

	<u>PROGRAM SERVICES</u>					<u>SUPPORT SERVICES</u>	
	<u>Community Service Governor's Office of Urban Affairs</u>	<u>Louisiana Stadium and Exposition District</u>	<u>Safe and Drug-Free Schools</u>	<u>Tutorial and Training Children Trust Fund</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 68,507	\$ 23,063	\$ 12,000	\$ -0-	\$103,570	\$ 3,815	\$107,385
Payroll taxes	5,989	2,577	1,338	-0-	9,904	1,082	10,986
Fringe benefits	9,051	2,303	-0-	-0-	11,354	430	11,784
Professional services	48,004	22,095	34,395	12,522	117,016	19,186	136,202
Repairs and maintenance	8,171	2,193	-0-	-0-	10,364	753	11,117
Equipment and supplies	4,287	2,598	6,541	2,328	15,754	1,826	17,580
Programmatic activities	21,793	143,483	7,074	-0-	172,350	5,324	177,674
Media productions	24,572	-0-	-0-	-0-	24,572	700	25,272
Office expenses	10,617	3,919	500	-0-	15,036	1,946	16,982
Interest expense	-0-	-0-	-0-	-0-	-0-	1,376	1,376
Insurance expense	8,726	-0-	-0-	-0-	8,726	-0-	8,726
Meetings and conferences	4,034	1,635	-0-	150	5,819	442	6,261
Travel	-0-	-0-	123	-0-	123	-0-	123
Total before depreciation	213,751	203,866	61,971	15,000	494,588	36,880	531,468
Depreciation	-0-	-0-	-0-	-0-	-0-	7,276	7,276
Total expenses	\$213,751	\$203,866	\$61,971	\$15,000	\$494,588	\$44,156	\$538,744

See Independent Auditors' Report on Supplementary Information.



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Family Advocacy and Neighborhood Services, Inc.

We have audited the financial statements of **Family Advocacy and Neighborhood Services, Inc. (FANS)** (a not-for-profit corporation), as of and for the year ended June 30, 2001, and have issued our report thereon dated December 7, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether **FANS'** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered FANS' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting which we have reported to the management of FANS in a separate letter dated December 7, 2001.

This report is intended for the information of the Board of Directors, management and the Legislative Auditor of the State of Louisiana and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

December 7, 2001

FAMILY ADVOCACY AND NEIGHBORHOOD SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

We have audited the financial statements of **Family Advocacy and Neighborhood Services, Inc.** as of and for the year ended June 30, 2001, and have issued our report thereon dated December 7, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2001 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses	-	No
Reportable Conditions	-	None Reported

Compliance

Compliance Material to Financial Statements -	No
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b. Federal Awards
Not Applicable.

Section II - Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards

No matters reported.

Section III - Findings and Questioned Costs Related to Federal Awards

Not Applicable.

Section IV - Management Letter comments

See letter to management dated December 7, 2001.

FAMILY ADVOCACY AND NEIGHBORHOOD SERVICES, INC.
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

**INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO FINANCIAL STATEMENTS**

None were reported.

**INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO FEDERAL AWARDS**

Not applicable.

MANAGEMENT LETTER COMMENTS

No matters reported.

**FAMILY ADVOCACY AND NEIGHBORHOOD SERVICES, INC.
EXIT CONFERENCE**

An exit conference was held and those in attendance were as follows:

FAMILY ADVOCACY AND NEIGHBORHOOD SERVICES, INC.

Mr. James J. Hutchinson, Jr. -- Executive Director

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

Mr. Michael B. Bruno, CPA -- Managing Partner
Mr. Armand E. Pinkney -- Manager
Mr. Mark D. DeBose -- Staff

The audit report was discussed. This report is intended solely for the use of the Board of Directors, management, the Legislative Auditor of the State of Louisiana and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bruno & Tervalon LLP
**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

December 7, 2001



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Waldo J. Moret, Jr., CPA

INDEPENDENT AUDITORS' COMMENT TO MANAGEMENT

To the Board of Directors of
Family Advocacy and Neighborhood Services, Inc.

In planning and performing our audit of the financial statements of **Family Advocacy and Neighborhood Services, Inc. (FANS)** for the year ended June 30, 2001, we considered FANS' internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

During our audit, we became aware of the following matter that is an opportunity for strengthening internal controls and operating efficiency.

NET ASSET DEFICITS

FANS incurred a change in net assets of (\$12,582) for the year ended June 30, 2001 and at June 30, 2001 has a net asset deficit of (\$280).

Recommendation

We recommend that management implement necessary budgetary controls to monitor spending and explore additional sources of funds to reduce future decreases in net assets and eliminate net asset deficits.

INDEPENDENT AUDITORS' COMMENT TO MANAGEMENT
(CONTINUED)

This letter does not affect our report dated December 7, 2001 on the financial statements of FANS.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various FANS personnel, and we will be pleased to discuss this comment in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

December 7, 2001

December 27, 2001

Bruno & Tervalon LLP
Certified Public Accountants
4298 Elysian Fields Avenue
New Orleans, LA 70122

Dear Gentlemen:

Re: Corrective Action Plan related to the "Net Asset Deficit" Management Letter
Comment

This is in response to your December 18, letter that included the Independent Auditors' comment to management as it related to the subject.

Please be advised that since June 30, 2001 Family Advocacy & Neighborhood Services (FANS) has undertaken several steps to correct the negative change in our net assets as well as the \$280 net asset deficit both as of June 30, 2001. These actions include but are not limited to the following items.

- I. Receipt of donations in the amount of \$3000 which were deposited to our general account in October and December.
- II. Success in obtaining another Governor's Office of Safe & Drug Free Schools and Communities grant in the amount of \$63,686. Eight percent of this amount represents indirect cost which can be used for non-program expenses or merely to drop to the bottom line as profit.
- III. Submission of over \$750,000 in Buying and Rehabilitation of Housing as well as programmatic proposals in October 2001 to the City of New Orleans, Office of the Mayor's Division of Housing and Neighborhood Development (Super NOFA) for calendar year 2002. It is our understanding that up to ten percent of the grant awards can be used to defray administrative expenses or to buy equipment, which can be capitalized as assets. In terms of the houses that we propose to buy and rehab, we could generate a rental income stream or potential profits upon the sale of these properties. According to Mr. Vincent Sylvain, the Executive Assistant to the Mayor and the Director of this above division, the City of New Orleans will finalize its grant decisions in February 2002. We are optimistic about receiving the majority of our proposal request. I have personally been involved in owning and rehabbing over \$1.5 million in buildings.
- IV. We shall continue to submit various proposals, especially those where we can build our net asset balance through private and public sector grant opportunities.

If you need any further information, please do not hesitate to contact me.

Sincerely,

James J. Hutchinson, Jr.
Executive Director